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20 September 1951

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DAILY DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SECTION 1 (SOVIET)

1. USSR. Air defense readiness noted in Vladivostok: Crew members of a B-29 who participated in a nightmission in northeastern Korea on 25 August stated that while they were within sight of Vladivostok all the city and port area lights were blacked out simultaneously. The ability of the USSR to black out all the lights in a critical area simultaneously has been noted elsewhere and denotes a high degree of air defense readiness.

The crew also noted ten aircraft, believed to be single-engine jets, which took off in pairs from an unlocated airfield and followed the bomber for approximately half an hour at a distance of three to five miles. (S US Air Force Far East AX 3789, 16 Sep 51)

Comment: The interceptor aircraft appear to have risen either from a Soviet airfield near the Korean border, on which no planes were known to be based, or from a North Korean field just below the border, previously believed to be inactive and unsuited to jet operations.

There is previous evidence that the USSR has reacted to UN air activity in northeast Korea near the Soviet border.

2. Soviet scientific institutions reprimanded: Certain Russian scientific institutions recently have been criticized in the Soviet press for not having participated aggressively enough in solving various urgent problems relating to the development of industry and agriculture.

The Machine Research Institute of the USSR Academy of Sciences was accused of failing to produce new calculating methods for large machinery "components" to which existing methods no longer apply. The Institute of Automatics (Automatika) and Telemechanics was called to task for not giving sufficient time to solving certain tasks relating to the automatic workings of the Volga and Dnieper power stations. The Institute of Mining Affairs, of Mechanics, and several other scientific institutions of the USSR Academy of Sciences' Department of Technical Sciences were berated for being "too loosely linked with industry." (R FBID, 17 Sep 51)

Comment: This criticism of Soviet scientists is an indication that technological progress in the Soviet Union is not proceeding at a pace rapid enough to satisfy the demands of the Kremlin. Of interest is the reference to the Volga and Dnieper Power Stations, where construction is evidently slower than had been expected.

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3. FINLAND. Inclusion of Communists in new cabinet unlikely: The US Legation in Helsinki reports that inclusion of Communists in the new cabinet is very unlikely. According to the legation, the present Social Democratic-Agrarian coalition is expected to form the basis of the new cabinet with representatives from the Swedish Peoples' Party and possibly from the new National Party. (R Helsinki 133, 18 Sep 51)

Comment: The new cabinet is being formed as a result of the National Diet elections in July in which the Social Democrats won 53 seats, the Agrarians 51, and the Communists 43. The Communist Party, though likely to be excluded from the cabinet as it has been for the last three years, will continue to be a potentially disruptive force in the Finnish political scene.

4. POLAND. India bars seamen from Polish liner: The Polish liner Batory is reported to have sailed from Bombay to England without the Indian seamen who had been signed on. The Indian Government refused the seamen permission to sail contending that working conditions aboard ship were unsuitable for Indian sailors and that the Polish line would not deposit enough advance wages.

It is also reported that members of the non-Communist Bombay Seamen's Union staged a protest demonstration in objection to the Batory signing on men only from a rival communist union. (U NYT, 19 Sep 51)

Comment: The Indian Government's refusal was possibly based on the fear that the Communist Indian seamen, if permitted to ship on the Batory, would receive indoctrination and training which would enable them to exercise an even more disruptive influence among Indian maritime workers upon their return to India.

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SECTION 2 (EASTERN)

1. GREECE. Plastiras and Venizelos to collaborate in Greek parliament: General Plastiras, leader of the EPEK party, has told the American Embassy in Athens that he and Prime Minister Venizelos have decided to collaborate in parliament. Plastiras believes that such a combination would command a bare majority with 130 to 132 seats in parliament. According to him it was not yet decided whether the new government should be purely EPEK with Liberal support, or whether the Liberals should actively participate. Venizelos has previously told the embassy that he would prefer the former, since such a government would soon demonstrate Plastiras' utter incapacity to govern. (S Athens 1305, 18 Sep 51)

Comment: On the basis of Marshal Papagos' plurality he presumably will be asked to form a government. Papagos does not have a majority in parliament, and there are no indications that he will attract enough deputies from the opposition parties to form a government. A Venizelos-Plastiras combination would be highly unstable because of Plastiras' leftist views, the widely divergent policies of the two men, and the attacks that could be expected from the Papagos plurality.

2. ISRAEL. Israel refuses to consider proposals for Arab-Israeli peace agreement: Israel's representative to the Palestine Conciliation Commission meetings in Paris has informed the chairman that Israel is still not prepared to receive the commission's proposals for an Arab-Israeli peace agreement. The Israeli representative maintains that the PCC should restrict itself to the choice of agenda items, leaving the actual negotiation of solutions under the agenda items to the Israeli and Arab representatives themselves.

According to the Israeli representative, his government can not "give" anything in the course of the negotiations and has in fact withdrawn its original offer of repatriating a certain number of Arab refugees. The commission chairman comments that there is little hope for success of the current meetings in Paris if Israel continues to object to further suggestions for solving the Arab-Israeli disagreements. The chairman further states that Israel's attitude is hurting the commission's relationship with the Arab delegations, who are now more favorable toward the commission's position than at any time in the past two and one half years. (S Paris 1698, 18 Sep 51)

Comment: Israel's unwillingness to cooperate so far in the meetings of the commission is partly due to its annoyance at the Arab refusal to meet with the Israeli representative around the same table. The frank admission that Israel has no real concession to "give" to the Arab States offers little hope that the meetings in Paris will achieve any substantial success.

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3. TURKEY. Results of Turkish by-election: Incomplete returns from Sunday's by-election indicate that the incumbent Democratic Party won 18 of the 20 available seats. According to press reports, about 50 percent of the eligible voters participated. (R Ankara 259, 17 Sep 51)

Comment: The overwhelming victory of the Democratic Party appears to indicate general approval of the party's program since it took office 14 months ago.

4. IRAN. British Bank in Iran may close: On 17 September Iranian Prime Minister Fatemi announced that authorization to deal in foreign exchange would be withdrawn from the British Bank. A British spokesman expressed the opinion that if the measure is carried out the bank will cease operations in Iran. (R Tehran 1056, 18 Sep 51)

Comment: The British Bank, the oldest bank in Iran, deals mostly in foreign exchange but holds about one-third of the private deposits. Withdrawal of foreign exchange privileges leaves the Iranian National Bank as the only bank which can deal in foreign exchange. If the British Bank is liquidated its capital--which by law must be deposited in the National Bank--must, by the same law, be refunded to the investors.

5. INDIA. Chinese Communist purchasing mission arrives in Bombay: A three-man Chinese Communist purchasing mission arrived in Bombay on 16 September to arrange for the dispatch from India of 20,000,000 yards of cloth and 5,000 bales of yarn in return for the half million or more tons of Chinese grain purchased by India to relieve its 1951 food shortage. (R FBID Far East, 17 Sep 51)

Comment: The Indians have been reticent about publicizing the terms of their 1951 agreement for the purchase of Chinese grain. This is the first indication that cloth and yarn were among the commodities to be exchanged.

6. INDONESIA. Ban on strikes in vital industries withdrawn: The Minister of Labor announced that the strike and lockout ban in vital industries has been withdrawn and that a new law on the solution of labor disputes was proclaimed on 17 September. (R FBID Djakarta, 18 Sep 51)

Comment: The strike ban was proclaimed last February. The present government, which assumed office in April, promised to repeal the ban and to replace it with effective labor legislation. Since the Indonesian labor movement is largely dominated by Communists, it is highly unlikely that the new law can be so administered as to avoid a renewal of costly strikes.

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7. INDOCHINA. French censor presumed slight to General De Lattre: An editorial praising the "political victories" won by Premier Tran Van Huu during his current visit to the US which appeared in the morning edition of the leading Vietnamese-owned newspaper in Saigon was altered on the orders of De Lattre's Chief of Cabinet. The afternoon edition carried a blank space in the place of the original passage which had suggested that the purpose of General De Lattre's visit to Washington is to supplement, in the military sphere, the political achievements of Premier Huu. (C Saigon 647, 17 Sep 51; R Saigon 646, 17 Sep 51)

Comment: Although the praise accorded Premier Huu in the above-mentioned article is grossly out of proportion to Huu's mission or achievements in the US, the action of the French authorities appears to show a rather extreme concern for the prestige of General De Lattre who is, in fact, visiting the US at the invitation of the Joint Chiefs of Staff, not primarily as a diplomat. To the Vietnamese, censorship of this sort belies the French contention that they are concerned only with military censorship.

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8. CHINA. Alleged resolutions of Sino-Soviet conference reported: [redacted]

25X1C Chinese Communist military conference in Peiping in early August. The participants allegedly resolved to 25X1C

- (1) expand, train and equip Chinese military forces totaling five percent (about 22.5 million) of the population by 1953,
- (2) continue preparations for the liberation of Formosa,
- (3) increase assistance to the Viet Minh, and
- (4) study and discuss conclusion of an "Asian People's Revolutionary Military Alliance Agreement."

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Comment: While Chinese forces could conceivably be more than doubled by 1953--from the present nine million (including 5.5 million poorly-equipped and poorly-trained militia) to more than 20 million--it is most improbable that such a number could be properly trained and equipped in that time.

The Peiping regime has openly been preparing for the Formosa operation, and has reportedly been increasing its aid to the Viet Minh for the past two years.

Finally, omission of reference to Korea makes the whole report implausible.

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9. CHINA. 20,000 paratroopers reported in Manchuria: [redacted] four paratroop divisions, totaling 20,000 men, are in Manchuria. Two of these divisions are in Chiamussu and one is in Mutanchiang (both in northeastern Manchuria). [redacted]

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Comment: Chiamussu has often been reported as a major paratroop school, one report claiming that 20,000 paratroopers had been graduated from this school by March 1951. US Air Force intelligence currently believes that some 20,000 to 25,000 Chinese Communist troops have received parachute training.

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11. Chou En-lai denounces Japanese peace treaty and US-Japan security pact: Chinese Communist Premier Chou En-lai chose the 20th anniversary of the Mukden Incident for a lengthy denunciation of the San Francisco conference and the US-Japan security pact. Chou, asserting that the Chinese "contributed the most" to Japan's defeat, repeated the familiar charges that the peace treaty is designed to "revive Japanese militarism," is an "expression of animosity" toward Communist China and the USSR, and "threatens the security of Asia." Both the treaty and the security pact were described as evidence of US preparations for an "aggressive war in Asia." Chou claimed that the "Chinese people" are willing to join with peoples everywhere, especially in Asia, to meet the threat of "Far Eastern war expansion." (R FBID Flimsy, 18 Sep 51)

Comment: The Chinese Communists feel sufficiently strongly about the Chinese contribution to Japan's defeat to have refused to credit the Soviet claim to the greatest contribution, and in this particular statement Chou did not mention the Soviets at all. However, this pronouncement adds little to Peiping's propaganda regarding Japan for the past year. The vague reference to concerted action among Asian peoples again suggests the possibility of an Asian conference--which would now be an almost solely Communist affair--on the problem of an allegedly resurgent Japan.

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12. Nationalist guerrillas raid China mainland town: According to an AP dispatch from Taipei, seaborne Chinese Nationalist guerrillas on 13 September raided the coastal town of Hsiaocha, located on the China mainland forty miles northeast of the Nationalist island outpost of Quemoy, opposite Formosa. The guerrillas were said to have started their raid early in the morning with two hours of "sharp fighting"; they withdrew in the afternoon, taking ten prisoners with them. The inhabitants reportedly were "overjoyed at seeing the Nationalist flag carried by the guerrillas and knelt in welcome to them." (U AP Taipei, 19 Sep 51)

Comment: There are no other reports available to confirm this action. If true, the raid probably was conducted by Nationalist soldiers stationed on the island of Quemoy. Such a small operation may have been for intelligence, propaganda, and/or training purposes. The delay of a week in releasing this information points up the complaint of the Nationalists that communications with their island outposts are very inadequate.

This may spur the Chinese Communists to take action to neutralize Quemoy.

13. American Catholic Brother jailed for refusal to print Communist propaganda: The former UK Consul General at Tsingtao has informed the US Consul General at Hong Kong of the arrest of an American Catholic Brother in Tsingtao solely on the grounds of the latter's refusal to print an anti-American article in a Catholic journal which he was publishing.

The US Consul General comments that this is the first known instance of the arrest of an American simply for refusal to participate in a Communist propaganda campaign. (C Hong Kong 1103, 18 Sep 51)

Comment: This is the first known arrest of an American on these specific grounds. However, the usual Communist charges of espionage, collusion, cultural aggression, etc., in most cases derive simply from the refusal of US nationals to cooperate with the Communist program.

14. Peiping reports removal of several important functionaries: Peiping radio has announced the removal from their posts of Wang Chia-hsiang, Ambassador to the USSR; Nieh Jung-chen, Mayor of Peiping; three top officials of the Northeast People's Government; four top officials of the East China administration, and 11 officials of varying importance in the Central-South China administration. (R FBID Flimsy, 19 Sep 51)

Comment: Both Wang and Nieh were in fact replaced in March 1951. The other removals may date from the same time, or may be recent. The Chinese Communists have recently denounced corruption and incompetence

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among state employees in the Northeast. Many sources have reported Peiping's dissatisfaction with the East China administration. Certain of the Central-South officials named are believed to be serving in Korea and Indochina, while others may have been purged.

15. KOREA. Rhee wishes to establish friendly relations with Japan through negotiations: Ambassador Muccio cables that during a visit to the front on 14 September, President Rhee declared that Korea and Japan should enter into negotiations to establish friendly relations. The president was reported as declaring that the signing of the Japanese peace treaty does not necessarily establish friendly relations and that relations would come into being after direct negotiations are completed. (U Pusan 258, 18 Sep 51)

Comment: Rhee's remarks are part of the present ROK sentiment in favor of a bilateral agreement which the Koreans hope will entitle them to the benefits of the San Francisco conference. Japan, on the other hand, sees no advantage to entering into the negotiations and haggling over the price the Koreans would demand.

16. North Koreans initiate "anti-epidemic campaign": The Military Committee of the North Korean Government in an 18 September broadcast decreed the organization and enforcement of a "winter anti-epidemic campaign" throughout North Korea. The program, to be "carried out vigorously by all the people," reportedly will "consolidate the brilliant achievements already made in the spring and summer anti-epidemic campaigns. Eruptive typhus and recurrent fever are two diseases specifically mentioned in the decree. (R. FBID Ticker, Pyongyang, 18 Sep 51)

Comment: There is ample evidence indicating that an extremely high incidence of contagious diseases existed in North Korea during the winter of 1950-51, but no reliable statistics are available. The general destruction caused by UN bombing, malnutrition and the disorganization of governmental functions were primarily responsible for last year's high epidemic rate.

17. JAPAN. Japanese officials believe Yoshida plans eventual rearmament: Japanese Foreign Office officials believe that Prime Minister Yoshida plans to undertake effective Japanese rearmament at a propitious time. These officials state that Yoshida's 14 September statement to the press opposing rearmament "for the time being" was prompted by a desire not to involve the peace and security treaties in the debate on rearmament, and also by a doubt that Japan, particularly in the light of undefined peace treaty obligations, has the economic strength to undertake large-scale rearmament at the present time.

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The US Political Adviser suggests that Yoshida may desire public opinion to shift further before advocating rearmament, and comments that his political wisdom appears justified by the increasing awareness of the Japanese public, as reflected in opinion polls, of the need for defensive strength. (C Tokyo 579, 18 Sep 51)

Comment: Yoshida's statement, various interpretations of which drew unusual attention in the press, actually does not reflect any change from his cautious pre-treaty attitude toward rearmament.

A series of public opinion polls during the past year indicates increasing support for rearmament; the latest, taken just after the peace treaty's signing, showed 76.3 percent in favor of rearmament and only 12.1 percent opposed. The vast majority of those favoring rearmament, however, think that rearmament should be postponed until the nation's economic reconstruction is further advanced.

It is a moot question whether rearmament solely for defense would require an amendment of the Japanese constitution's war renunciation clause, which in turn would depend upon a popular referendum.

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SECTION 3 (WESTERN)

1. AUSTRIA. Soviet official contends Austrian remilitarization and Trieste block treaty agreement: The Soviet political advisor in Vienna informed Austrian Foreign Minister Gruber in a recent discussion that Austrian re-militarization and Trieste are the principal obstacles to a Soviet signature of the Austrian State Treaty — which, he observed, his government has always favored signing. Gruber refused to comment on Trieste, asserting that it is an issue wholly extraneous to the treaty negotiations. As for Austrian remilitarization, Gruber replied that the Soviet authorities were well aware that his country is completely disarmed.

In subsequent conversations with the US Legation, Gruber renewed his plea for an early meeting of the treaty deputies, for stronger pressure on the Soviet Government, and for an appeal to the UN in the event of failure. (S Vienna 1053, 18 Sep 51)

Comment: The Soviet Union has maintained that the Trieste issue has blocked conclusion of an Austrian treaty since May 1950. The Austrian Communist press is conducting a violent campaign against the alleged rearming of Austria by the US and predicting dire consequences from such action. The allegations of Austrian secret rearmament indicate Soviet desires to keep Austria outside any Western-oriented military arrangement in Europe.

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2. FRANCE-USSR. Soviets still in market for industrial diamonds: [redacted]
25X1C [redacted] the head of the Russian Trade Delegation in Paris has offered a French firm some industrial diamonds of a type called "old miners," for cash, in order to build up Soviet funds for the purchase of other industrial diamonds. The Soviet trade head said that the Paris organization is now responsible for all Russian sales and purchases of precious stones and metals in Western Europe, and supersedes the authority of the Russian Trade Delegation in Brussels. [redacted]

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Comment: The "miners" offered may be of a type that the Soviet diamond industry cannot use; or the purpose of the offer may be to obtain funds for purchasing industrial diamonds which are urgently needed, such as diamond die stones, a flawless variety used to draw fine wires. In view of the frequent offers of "miners," the possibility also exists that the USSR is shifting to the use of drills comparable to the type used in the US, although there is still a Soviet demand for the old style drills.

Although "old miners" are a type of industrial stone seldom used in drills by US or Western European industries, their offer is attractive if the price is right, because the diamonds can be converted to gem stones and

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bort.. An April 1951 report reveals the offer of "miners" in Belgium and the sale of others in the Netherlands, the proceeds reportedly to be used to pay for Soviet shipping construction on order there.

3. BELGIUM. Increase in price of bread does not threaten government: On 31 August, the Belgian Government increased the price of bread from 6.9 to 7.5 Belgian francs per kilogram. At the same time the price of domestic wheat was raised from 430 to 470 francs per hundred kilograms. This action is based on the international agreement on a wheat price rise, increased transportation costs, the government's unwillingness to increase the wheat subsidy, and the greater costs for Belgian farmers. The US Embassy comments that, although the government will probably lose some political popularity, these increases are not likely to jeopardize its stability. However, the Socialists and the Communists are already using the increase in the price of bread as a point of attack against the government. (R Brussels Joint Weeka 36, 7 Sep 51)

Comment: The one-party Belgian Government has never been popular, even among segments of its own political party supporters. An over-all sharp rise in the cost of living coupled with a sudden increase in unemployment could cause difficulties for the government.

4. ITALY. Majority of government workers respond to strike called by all unions: More than one million government workers participated in a 24-hour nationwide strike for higher wages on 19 September. The walkout, which was supported by non-Communist as well as Communist unions, tied up the state-owned railways disrupted public telegraph and telephone service, and threatened to halt government business during office hours. (R Rome 1271, 18 Sep 51; U Washington Post, 19 Sep 51)

Comment: This strike, involving almost three-quarters of all state employees, proved even more successful than the earlier, 60 percent effective strike of government employees on 22 June (see OCI Daily Digest, 18 Sep 51).

5. UNITED KINGDOM. Iraq requests British military mission to aid its army maneuvers: At Iraq's request, the British Army is sending a military mission for approximately three months to assist the Iraq Army in conducting its fall maneuvers. The mission, consisting of about fifteen officers, is headed by Major General Rawlins. The War Office hopes that this request will result in a permanent British military mission being stationed again in Iraq. (TS Army Attaché R-2108 London, 24 Aug 51)

Comment: The former British military mission to Iraq was unpopular. On their own initiative the British withdrew it in May 1948 because of the

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intensified nationalistic and anti-British feeling aroused over the Treaty of Portsmouth. This treaty was negotiated to replace the Anglo-Iraqi Treaty of 1930, but was never ratified by the Iraqi Government. After 1948, British military representation in Iraq was negligible until British Middle East Commander-in-Chief General Robertson's visit last fall led to a study of the reorganization of the Iraqi Army by some of his officers.

The Iraqis really need and want British military aid and advice. Much of the former mission's failure was due to the War Office's unfortunate choice of personnel for it. New relations, however, have now been established by the Middle East headquarters. General Rawlins, a former chief of the British Military Mission to Greece, is expected to continue the improvement in relations. If he is successful in his current mission, the Iraqis may want him to remain. The British would be pleased by any little flicker of revived influence in the Middle East.

6. Comment on general election announcement: Prime Minister Attlee's announcement of a 25 October general election comes at a time when his government is under fire on both cost-of-living and foreign affairs questions. Public opinion polls show the trend running markedly against Labor.

The decision to dissolve parliament under these circumstances probably springs from a calculation that the Labor party would fare worse if the election were postponed.

On the economic side there is the likelihood that Britain's situation will continue to deteriorate; in particular, there may be a severe coal and power shortage this winter. On the political side the Labor Party probably feared facing three pending by-elections in which a poor Labor showing would not only whittle down the government's already precarious parliamentary majority but also leave it to confront a subsequent general election with greatly diminished prestige.

7. SPAIN. Minister defends government controls on private industry: In his first official public statement, Minister of Industry Planell told the press that the new government will proceed with Spain's industrialization program chiefly with a view to increased agricultural production. The minister defended the government's participation in industry through the National Industrial Institute. He stated that the institute's role, although transitory, was necessary in order to stimulate production in cooperation with private enterprise. He added, however, that the government wishes private industry to expand its radius of activity. (C Madrid 269, 17 Sep 51; R FBIS Madrid, 13 Sep 51)

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Comment: Closely identified with the National Industrial Institute's industrialization program, Planell is expected to continue to promote its monopolistic practices. However, a powerful instrument of economic control over private industry was removed from the institute when the Undersecretariat of Foreign Economy and Commerce was placed under the new Minister of Commerce, Arburua, who reportedly favors greater participation of private enterprise in Spain's economic rehabilitation. The undersecretariat supervises all allocations of foreign exchange and export-import loan applications.

8. SWEDEN. Iron-ore exports to UK may be reduced: Sweden may reduce its iron ore deliveries to the UK because of British inability to supply Sweden with coal. During 1950 Sweden obtained 1.75 million tons of coal from the UK; but the British promised only 500,000 tons for 1951. (S Stockholm Joint Weeka 37, 15 Sep 51)

Comment: Under the terms of the British-Swedish Trade Agreement for 1951, the UK is obtaining 3.5 million tons of iron ore. Even this amount is considered by UK experts, with ECA agreement, to be insufficient to maintain British steel production at the levels necessary for the rearmament program. The report that Sweden is considering reducing iron ore exports to the UK because of inadequate coal deliveries, coupled with Swedish hints that Poland will demand strategic ball bearings for its coal exports, suggests that the Swedes may be exerting subtle pressure on the UK — and the US — to obtain more coal from the West.

9. SOUTHERN RHODESIA. Natives' opposition to Central African federation proposals likely to prevent progress at conference: Delegates from Southern Rhodesia, Northern Rhodesia, and Nyasaland began a conference at Victoria Falls on 18 September to discuss proposals for a federation of the three British Central African territories. A request by the natives' representatives that the meetings be open to the press was rejected, and the proceedings are being held in camera as originally planned. (U NY Times, 19 Sep 51)

Comment: Europeans in the three territories tend to support the proposals for federation put forward at a London conference held earlier this year, believing that these would make for greater political autonomy and speed the economic development of the area. However, articulate African opinion in Nyasaland and Northern Rhodesia has indicated firm opposition to any form of federation, owing to the fear of domination by the economically more advanced territory of Southern Rhodesia with its European population of 150,000 and its policy of strict racial segregation. These African groups prefer to remain for the present under the rule of the UK Government, whose policy is to protect African interests, with self-government along Gold Coast lines as the eventual aim.

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London regards the present federation proposals as constructive and worthy of careful consideration by the peoples concerned, but UK Colonial Secretary Griffiths has been unable to convince the Africans of this, despite strenuous efforts during the past two weeks of talks with them. He was able to persuade the Nyasaland African Congress to send a representative to the conference only after giving repeated assurances that no final decisions would be made there. Further progress toward federation at present seems possible only by ignoring African opinion, and the present UK Government is unlikely to assent to this.

10. ARGENTINA. Peron's aide named candidate for Governor of Buenos Aires: On 18 September the Peronista Party named Major Carlos Aloe, aide to President Peron, its candidate for Governor of the Province of Buenos Aires, the second most important position in the government. Aloe was selected at a meeting attended by Mercante, who appears to have reached some understanding with the Perons since Senora de Peron renounced her candidacy for vice-president. Mercante's plans have not been announced, but it is reported that he may be a substitute candidate for president or vice-president if either Peron or Quijano, the present Peronista candidates, decides not to run. (U NY Times, 19 Sep 51)

Comment: Mercante broke with the Perons when Senora de Peron displaced him as potential candidate for vice-president, and later he was behind the army pressure which forced her to renounce her candidacy. Mercante would be the most likely substitute for either Peron or Quijano, who has been in poor health. Peron is exercising the privilege of not announcing his electoral intentions until thirty days before the elections, but there is no indication that he will not run.

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SECTION 2 (EASTERN)

1. EGYPT. Egyptian King unable to prevent treaty abrogation: The Egyptian Royal Press Counselor has informed the US Ambassador that, unless Britain comes up soon with some new acceptable proposal, King Farouk will be forced to allow his government to abrogate the 1936 Anglo-Egyptian Treaty. The king, through his counselor, made it clear that he disapproved of the way his government has handled the negotiations. However, since abrogation has wide popular support, he feels compelled to go along. To do otherwise would involve "dismissing the government, dissolving parliament, and ruling by military force."

The counselor, in view of possible new proposals from the British, stated that he would suggest to the king that he attempt to delay the denunciation of the treaty. (TS, S/S Cairo 338, 18 Sep 51).

Comment: Farouk, concerned over Egyptian stability and his own position, will delay abrogation as long as he deems such action compatible with his own security. Even if Middle East Command plans are completed quickly and Egypt is invited to participate, there is some doubt as to whether such an offer would assuage Egyptian nationalism sufficiently to prevent formal denunciation of the treaty.

2. CEYLON. Ceylon refuses to prevent rubber shipment to China: Urgent representations by the UK and US have failed to convince the Ceylonese Government that it should prevent the imminent shipment to Communist China of a full cargo of rubber now being loaded aboard a 4467-ton Polish vessel in Colombo. The details of the UK approach are unknown, but the American Ambassador clearly pointed out the adverse effect the shipment would have on US opinion regarding Ceylon. He also noted that, if the rubber goes forward, the US would neither issue an export license for 1,200 tons of sulphur desired by Ceylon, nor grant Ceylon an exemption under Kem Amendment and Battle Bill export control regulations. (S, to Colombo 104, 13 Sep; S, Colombo 167, 15 Sep; S, S/S Colombo 171, 18 Sep 51).

Comment: No satisfactory explanation for Ceylonese behavior has been made. Ceylon has been dissatisfied with American policy on purchase of its rubber. It may be attempting to force the US into preclusive buying at inflated prices. In any case, if the rubber is shipped and Ceylon is penalized, both the Ceylonese and the Indians may be expected to accuse the US of playing power politics in South Asia.

3. AUSTRALIA. Anxiety over isolation from global planning perceived: The US Embassy in Canberra "thinks it perceives" some anxiety at the departmental level lest NATO decisions be reached at Ottawa affecting Australia without

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its being consulted. Officials of the Department of External Affairs appear to feel that the admission of Greece and Turkey to NATO may further isolate Australia from general global planning affecting it. The embassy expects all possible implications to Australia of NATO and related decisions to receive thorough and deliberate consideration by the cabinet before a government position is adopted. (S, S/S Canberra 106, 18 Sep 51).

4. CHINA. US Consul General argues for economic blockade of Communist China: The view of British Foreign Secretary Morrison that an economic blockade of Communist China probably would be ineffective and might force Peiping to "rely more heavily" on the USSR is opposed by the US Consul General in Hong Kong. He points out that a blockade, while unable to disrupt the primitive Chinese economy or destroy the Chinese military potential, nevertheless would increase the strain on the economy, aggravate dissatisfaction over the Korean venture, and strengthen the position of those elements wishing to end the Korean conflict. He believes that additional Chinese economic dependence on the USSR would hasten Peiping's disillusionment with Soviet aid. (TS, S/S Hong Kong 1077, 17 Sep 51).
5. JAPAN. Yoshida's popularity reaches new high: Prime Minister Yoshida's attendance at the peace conference and the conference's unexpectedly satisfactory outcome have materially raised Yoshida's prestige and general popularity, in the opinion of the US Political Adviser, Tokyo. He believes that admiration for Yoshida's role at the conference is exercising a favorable effect toward the treaty and security pact which will substantially strengthen the government's position in securing early ratification by the Diet.

The political adviser also believes that Yoshida's political position in the Liberal Party has been strengthened, with the attribute of "indispensability" now being conferred on him. There are increasing indications that Yoshida does not now intend to yield party leadership to the recently depurged Hatoyama or any other political leader until the peace treaty finally comes into force. The US representative warns, however, that the prime minister's stock may again drop with the reemergence of domestic political issues. (C, S/S Tokyo 582, 18 Sep 51).

Comment: There has been a singular lack of criticism of Yoshida's performance at San Francisco, even among the opposition. Last week's public opinion poll, which overwhelmingly supported the security pact, probably was a reflection of approval for Yoshida's policies.

There has been considerable speculation that Yoshida might step down to make way for Ichiro Hatoyama, former president of the Liberal Party, whose purging in 1947 made it possible for Yoshida to become prime minister. Yoshida's current political strength, and Hatoyama's poor health, may now make Yoshida's tenure of office secure at least until the treaty comes into force.

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